

Message Text

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11
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05

PA-01 PRS-01 USIA-06 EA-06 /093 W
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TO SECSTATE WASHDC 9488
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AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY WARSAW

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E.O. 11652: NA
TAGS: ECON, EEW, EFIN, XG, JA, US
SUBJECT: BULGARIAN FOREIGN TRADE PATTERNS: AN OPENING TO THE WEST?

1. SUMMARY: FOR FIRST TIME IN RECENT YEARS BULGARIA HAS OPENED A LARGE OVERALL DEFICIT IN ITS FOREIGN TRADE, PARTICULARLY WITH WESTERN COUNTRIES. IN ADDITION, BULGARIAN TRADE WITH SOCIALIST COUNTRIES DROPPED FROM 79 TO 73 PERCENT IN 1974. SINCE GOB IS ACTIVELY APPLYING FOR LARGE CREDIT AGREEMENTS WITH WESTERN GOVERNMENTS, IT SEEMS LIKELY BULGARIA PLANS TO CONTINUE TO RUN INCREASED TRADE DEFICITS WITH THE WEST. END SUMMARY.

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2. AT BEGINNING OF 1975 GOB OFFICIALS ANNOUNCED 1974 INCREASE IN BULGARIAN FOREIGN TRADE AT OVER 23 PERCENT WITH NO EXPLANATORY DATA. INFORMATION RELEASED SINCE THAT TIME INDICATES THAT BULGARIA, UNLIKE PREVIOUS YEARS, HAS OPENED A LARGE

TRADE DEFICIT, PARTICULARLY WITH HARD CURRENCY COUNTRIES.
ESTIMATED CREDITS PREVIOUSLY EXTENDED TO BULGARIA, HOWEVER,
WILL EASILY COVER 1974 DEFICIT AND COUNTRY'S CREDIT RATING
REMAINS GOOD.

3. GOB IS APPARENTLY PLANNING TO FINANCE SEVENTH FIVE-YEAR
PLAN (1976-80) BY EASING RELIANCE ON BALANCED ACCOUNTS AND
RESORTING TO FOREIGN BORROWING. FRG AMBASSADOR HERE HAS
INFORMED US GOB HAS APPROACHED HIS GOVERNMENT FOR A LOAN OF
US \$500 MILLION. IN ADDITION, THE BRITISH HAVE RECEIVED A
DRAFT PROPOSAL FOR AN EXTENSION OF ECGD CREDIT TOTALLING
\$200 MILLION, AND THE FRENCH AMBASSADOR HAS REPORTED BULGARIAN
INTEREST IN "SEVERAL HUNDRED MILLION" DOLLARS WORTH OF CREDITS
FROM FRANCE. BULGARIA IS CLEARLY FOLLOWING SOVIET MODEL IN
SEEKING LARGE GOVERNMENT-ARRANGED CREDITS FROM WEST.

4. FOLLOWING TABLE ILLUSTRATIVE OF CHANGES IN TRADE PATTERNS
DURING 1974. FIGURES ARE IN MILLIONS OF DOLLARS, AT CURRENT
PRICES AT OFFICIAL (COMMERCIAL) EXCHANGE RATE, AND DERIVED
FROM BULGARIAN OFFICIAL STATISTICS. PERCENTAGES OF TOTALS
ARE IN PARENTHESES. BREAKDOWN BETWEEN DEVELOPED AND
DEVELOPING NON-SOCIALIST COUNTRIES NOT AVAILABLE FOR 1974, SO
THEY ARE SHOWN ON SEPARATE LINE.

	1972	1973	1974
EXPORTS, TOTAL	2924.7	3295.3	3837.8
SOCIALIST	2353.0(80.6)	2619.5(79.5)	2912.6(75.9)
DEVELOPED	381.9(13.1)	443.3(13.5)	
DEVELOPING	184.7(6.3)	232.5(7.1)	
NONSOC, TOTAL	566.6(19.4)	675.8(22.6)	925.3(24.1)

IMPORTS, TOTAL 2857.9 3253.8 4282.6

SOCIALIST 2279.5(79.8) 2573.2(79.1) 3013.9(70.4)
DEVELOPED 427.9(15.0) 513.6(15.8)
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DEVELOPING 150.5(5.3) 167.0(5.1)
NONSOC, TOTAL 578.4(20.3) 680.6(20.9) 1268.7(29.6)

TOTAL FOREIGN 5782.6 6549.1 8120.4
TRADE

SOCIALIST 4632.5(80.1) 5192.5(79.3) 5926.5(73.0)
DEVELOPED 809.8(14.0) 956.9(14.6)
DEVELOPING 335.2(5.8) 399.5(6.1)
NONSOC, TOTAL 1145.0(19.8) 1356.4(20.7) 2194.0(27.0)

TRADE SURPLUS 66.8 41.5 (444.8)
(DEFICITS),

TOTAL

HARD CURRENCY (11.9) (4.8) (343.4)

COUNTRY SURPLUS

(DEFICIT),TOTAL

DEVELOPED (46.1) (70.3)

DEVELOPING 34.2 65.5

5. FIGURES INDICATE THAT WHILE BULGARIA HAD SLIGHT SURPLUS IN OVERALL TRADE DURING PREVIOUS YEARS, IN 1974 IT RAN OVER- ALL DEFICIT OF US \$445 MILLION. DEFICIT TO HARD CURRENCY COUNTRIES WAS \$343 MILLION. MOST STRIKING PERHAPS WAS DROP IN PERCENTAGE OF TRADE WITH SOCIALIST COUNTRIES; DESPITE CONTINUAL ASSERTIONS CONCERNING INCREASING CEMA TIES, TRADE WITH SOCIALISTS, WHICH WAS PREVIOUSLY ASSUMED TO BE ABOUT 80 PERCENT OF TOTAL TRADE, DROPPED TO 73 PERCENT. BIGGEST DROP WAS IN IMPORTS WHERE SOCIALIST SHARE FELL FROM 79 TO 70 PERCENT. THIS DROP COULD ONLY HAVE TAKEN PLACE WITH SOVIET ACQUIESCENCE IF NOT ACTIVE ENCOURAGEMENT.

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6. TRENDS IN BULGARIAN TRADE WITH CERTAIN DEVELOPED WESTERN COUNTRIES ARE REFLECTED IN TABLE BELOW. FIGURES ARE IN MILLIONS OF DOLLARS, AND THOSE FIGURES FOLLOWED BY ASTERISKS ARE MERELY ESTIMATES, SOME RATHER CRUDE.

	EXPORTS			IMPORTS		
	1972	1973	1974	1972	1973	1974
FRANCE	22.6	27.5	29.8#	28.5	39.5	78.3#
FRG	74.9	105.7	90.5	97.2	157.4	298.4
GREECE	12.8	16.2	13.3#	8.1	13.9	18.3#
ITALY	62.7	89.4	82.0#	59.7	67.2	100.0#
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NETHERL	8.0	9.6	9.0#	12.0	21.0	37.0#
UK	17.1	22.7	32.5#	23.4	32.3	43.4#
US	2.9	4.5	8.4	3.5	6.5	22.0
JAPAN	18.1	22.3		35.6	73.6	

TOTAL FOREIGN TRADE TRADE SURPLUS (DEFICIT)

FRANCE	50.1	67.0	108.0#	(5.9)	(12.0)	(48.5)#
FRG	172.1	263.1	388.9	(22.3)	(51.7)	(207.9)
GREECE	20.9	30.1	31.6#	4.7	2.3	(5.0)#
ITALY	122.4	156.6	182.0#	3.0	22.2	(18.0)#
NETHERL	20.0	30.6	46.0#	(4.0)	(11.4)	(28.0)#
UK	40.5	55.0	75.9#	(6.3)	K9.6)	(10.9)#
US	6.4	11.0	30.4	(0.6)	(2.0)	(13.6)
JAPAN	51.7	95.9		(17.5)	(51.3)	

7. BULGARIA'S TRADE WITH ALMOST ALL DEVELOPED COUNTRIES IN ABOVE TABLE SHOWS MARKED INCREASE, AND BULGARIA RAN DEFICITS WITH EVERY ONE OF THEM IN 1974. DEFICITS ARE QUITE PRONOUNCED FOR FRG AND JAPAN, AND GROWING RAPIDLY WITH NETHERLANDS AND FRANCE, TOO. ITALY WHICH HISTORICALLY IMPORTS MORE THAN IT EXPORTS TO BULGARIA IS SHOWN WITH SURPLUS FOR 1974 ALTHOUGH ONE SET PARTIAL STATISTICS SHOWS BALANCED TRADE; ITALIANS ATTRIBUTE THIS SHIFT TO EC BAN ON MEAT IMPORTS. IN CASE OF WEST GERMANY TOURISTS TO BULGARIA SOMEWHAT ALLEVIATE TRADE IMBALANCE, BUT ONLY TO EXTENT OF ABOUT ONE-QUARTER OF THE DEFICIT. UNITED STATES TRADE INCREASE, WHILE CERTAINLY MORE DRAMATIC IN PERCENTAGE TERMS THAN THAT OF OTHER COUNTRIES LISTED, STILL LEAVES US WELL BEHIND OTHER WESTERN TRADING PARTNERS.

8. COMMENT: IMPLICATION SEEMS CLEAR THAT BULGARIA IS STILL ON THE COURSE OUTLINED BY IVAN POPOV IN WASHINGTON LAST SEPTEMBER WHEN HE TALKED ABOUT \$5 BILLION WORTH OF BULGARIAN PURCHASES FOR INVESTMENT PURPOSES DURING THE NEXT FIVE-YEAR PLAN, AND THAT THIS WILL INVOLVE SUBSTANTIAL

RESORT TO FOREIGN BORROWING. HUGE CREDIT AGREEMENTS WITH
WESTERN COUNTRIES WOULD BE COMPATIBLE WITH THE SOVIET
MODEL WHICH BULGARIA HAS HISTORICALLY FOLLOWED. FURTHER
IMPLICATION IS THAT IF SUBSTANTIAL CREDITS ARE FORTH-
COMING FROM OTHER WESTERN GOVERNMENTS THE US WITHOUT EXIM
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FINANCING WILL REMAIN OUTSIDE MAINSTREAM OF BULGARIA'S
RAPIDLY DEVELOPING TRADE TIES WITH THE WEST. FACT THAT
BULGARIANS ARE HITTING WESTERN TRADING NATIONS FOR LOANS
OR CREDITS (JAPANESE AMBASSADOR TELLS US HIS COUNTRY ALSO
BEING HIT) DOES NOT OF COURSE MEAN THAT SUCH FUNDS WILL BE
FORTHCOMING AT CONCESSIONAL TERMS OR IN DESIRED QUANTITIES.
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